

# MARKET SIGHT LINES



## Artificial Intelligence: From Promise to Measured Impact

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We've highlighted artificial intelligence's long runway for growth and framed it as a technological revolution — one that will reshape how people work, create, and invest, while unlocking a potential productivity supercycle with multitrillion-dollar implications for global GDP. That long-term potential is now translating into real-world capital investment, earnings results, and even macroeconomic data. Hyperscaler capex is surging, mega cap technology companies remain a major driver of earnings growth, estimate revisions are moving higher, and AI-related business investment is now showing up directly in GDP. In this Sight|Lines, we discuss how AI is moving from promise to measurable economic and market impact — and why investors will increasingly focus not just on how much companies spend, but whether that spending produces durable earnings, productivity, and monetization.

## THE TAKEAWAY: AI IS MOVING FROM PROMISE TO ECONOMIC AND EARNINGS IMPACT

AI remains one of the most important long-term investment themes, but its impact is becoming visible in capex, earnings, estimate revisions, markets, and GDP. In summary:

- AI remains a multitrillion-dollar opportunity, and company capex continues to surge.
- Mega cap technology remains a major earnings driver, with results still dominated by the Magnificent Seven companies — Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla.
- Notably though, earnings strength is broadening, and earnings results are exceeding expectations.
- Earnings revisions are moving higher, breaking the typical pattern of early-quarter estimate cuts.
- AI has been showing up in GDP, with the data center build-out driving a meaningful share of recent economic growth.
- This year, spending is shifting more to the “brains” of these facilities, the equipment and software required to make data centers operational for AI use.
- The market narrative is transitioning from spending to monetization, with confidence increasingly tied to measurable returns rather than simply larger capex plans.

## IN-DEPTH: AI INVESTMENT IS NOW VISIBLE IN CAPEX, EARNINGS, REVISIONS, AND GDP — BUT THE BAR FOR MONETIZATION IS RISING

The decision by the UAE to exit OPEC has been described by the media as weakening the cartel, but OPEC's influence on global energy markets has been declining for more than a decade. Going deeper:

AI's long-term opportunity remains significant, but investors are increasingly focused on whether today's spending can translate into durable earnings growth, productivity gains, and measurable economic value. Going deeper:

- AI remains a multitrillion-dollar opportunity, and related capex investments are surging:
  - McKinsey estimates a \$2.6 trillion to \$4.4 trillion annual impact, and PwC is projecting approximately 14% global GDP upside by the early 2030s.
  - Capex is surging, with Alphabet, Amazon, Meta, and Microsoft spending approximately \$750 billion from 2023-2025, more than double the prior three-year period.
- Mega cap technology companies, like the Magnificent Seven, remain a major earnings driver:
  - These companies are expected to account for roughly two-thirds of year-over-year earnings growth in Q1 2026.
  - The Magnificent Seven are expected to drive 37% of the S&P 500's earnings growth for the full year.
- Importantly, earnings strength is broadening beyond these companies as well, with results beating expectations:
  - Approximately 83% of S&P 500 companies have beaten profit estimates by an average of 11% so far, with companies in aggregate delivering earnings about 21% above expectations, well above average.
  - The blended earnings growth rate of 27.5% is well above the 13% estimate at the start of the year.
- While we often see early-quarter estimate cuts from analysts, earnings revisions are currently moving higher, with analysts increasing Q2 EPS estimates by 2.1%, above the historical average decline of -0.9%.
  - AI spending has been driving a meaningful share of recent GDP growth:
- AI-related components of GDP – information processing equipment, software, R&D, and data centers – accounted for 39% of total economic growth in the first nine months of 2025.
- This year, spending is shifting to the “brains” of data centers:
  - Real GDP grew an annualized 2% in Q1 with AI-driven investment in equipment and software up 17.2% and 13.0%, respectively, and contributing 1.5 percentage points to the print. Investor focus is shifting from spending to monetization, with confidence increasingly depending on measurable payoffs rather than simply larger capex investment plans.

### WHAT WE THINK

AI remains a multitrillion-dollar opportunity, but the market is now entering a more demanding phase. The long-term case remains compelling, with meaningful global GDP upside. Hyperscalers have been committing extraordinary amounts of capital to build the infrastructure needed to support AI adoption, spending that's visible in GDP growth. The composition of spending is shifting from data center construction toward equipment and software – suggesting the buildout is moving from the outside of the facility to the work being done inside it. Earnings reflect the AI impact. Mega cap technology companies continue to drive a large share of profit growth, helping push markets to new highs. But earnings strength is not isolated. Other sectors are seeing upgrades and strong beats as well, while revisions are moving higher. The key question is not whether companies are spending on AI, but whether this spending produces enough measurable revenue growth, margin expansion, productivity gains, and monetization to justify the investment. Bigger spending plans have supported investor confidence so far, but sustained confidence will likely depend on faster payoffs.

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